

# INDIAN TEA ASSOCIATION



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## PRESS RELEASE

### Revision of Wages in Assam

- Increase in Wage w.e.f. 1.1.2015** : The Wages of Tea plantation workers in Assam have been historically set through Bilateral discussions between employers and the Unions. Following expiry of the last Wage Agreement on 31/12/14, the Employers' Associations represented by the CCPA recently met the Assam Chah Mazdoor Sangha (ACMS) (largest representative Union of Tea workers in Assam) to discuss the matter of Wage revision of Daily Rated Tea Plantation workers in the Brahmaputra Valley. Following protracted discussions a 3-Year Settlement has been arrived at enhancing the Daily Rated Wage from the pre-existing Rs.94/- by Rs.43/- over 3 years. The Daily Rated Wages for the three year period commencing 1/1/15 will stand as under:

	Wage Per Day (Rs.)
1.1.15 to 31.12.15	115
1.1.16 to 31.12.16	126
1.1.17 to 31.12.17	137

Workers would also be entitled to an attendance allowance of Re.1/- per kg. The enhancement by Rs.43/- over three years represents an increase of almost 46% which work out to an annual average of 15% --- well above the current inflation rate and inflationary expectations over the next 2/3 years.

- Structure of Tea Wages** : The basic wage structure that governs the Indian Tea Industry was formulated based on the recommendation of the Wage Board which submitted its report in a form of an Award in the year 1966. The Wage Board in recommending the wage took into account the cash wage as well as the perquisites being made available to a worker resident on a tea estate under the purview of various legislations and agreements. This "in principle view" on inclusion of Fringe Benefits as a part of wage has also been enunciated in the 1951 Chetia Committee Report of the Government of Assam which laid the foundation of minimum wages for the Tea Industry. Tea Plantations customarily pay wages partly in cash and partly in kind which is permissible under the Minimum Wages Act, 1948. It is also a matter of record that the Government has recognized that higher cash wage component is applicable in cases of plantations where the Plantation Labour Act of 1951 does not apply and workers are not entitled to receive Fringe Benefits under the 1951 Act.

The increase in the cash wage should, therefore, be viewed in the backdrop of the total package of Fringe Benefits entitlements of housing, medical, education and welfare, foodgrains under the purview of P.L. Act and bilateral agreements.

The ITA commissioned study of 147 gardens by an independent auditor has valued the total package at Rs.216.22 per day based on the pre-revised cash wage of Rs.94/-. According to the estimates, without factoring in the likely increase in cost of providing benefits, the cost of employment of a worker would be Rs.249/- per day after the revision.

3. **Welfare :** The Tea Industry has also been investing in improving the quality of life of its workers. A summary assessment of the implementation status of PLA on ABITA member gardens reveals that compliance on medical facilities, housing and sanitation on an average is above 85%.

<b>ABITA - PLA STATUS</b>	
Number of Estates	276
Number of workers	259438
Resident population	1210787
<b>HOUSING</b>	
Families of workers	157349
Number of House	155639
Compliance %	98.91%
<b>SANITATION</b>	
Number of House	155639
Number of Latrines	132220
Compliance %	84.95%
<b>Medical</b>	
Number of Hospital	290
Number of Doctors	264
<b>School</b>	
Number of School	382
Number of Teacher	870

Some Health Indicators for ABITA member gardens as per a recent survey indicates that the health parameters of workers compare favourably with State averages.

<b>Health Indicators Year 2014 (Jan- Sept) Survey From 200 Estates</b>					
	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>	<b>ABITA</b>	<b>Assam</b>
Birth Rate	3.56	7.56	8.66	6.59	22.80
Death Rate	1.59	3.71	3.46	2.90	8.00
IMR	14.78	23.55	30.78	23.04	55.00
MMR	152	182	72	135	390
(Birth rate, Death Rate, IMR per 1000)					
(MMR as per 100000 population)					
Source: Govt of Assam and GOI and ABITA Statistics from reporting gardens.					

4. **Sustainability** : The increase in Wages which have been given effect from 1/1/15 will see Tea plantation workers' wages rising from Rs.94/- per day to Rs.115/- per day in the first year. This increase of Rs.21/- per day **will translate an increase in the Cost of Production by Rs.11/- to Rs.12/- per kg of Made Tea.** Wages and associated benefits constitute around 60% of the total cost of production in the Tea sector. Furthermore, major parts are by way of fixed costs over which the Tea industry has little or no control. While cost of production may inevitably go up following this wage increase, accompanied by significant rises in the cost of other inputs such as electricity, fuel oils, fertilizers and other key farm inputs, there are no guarantees that Tea price realizations will commensurately rise. Tea is still largely transacted at a commodity level and is subject to the forces of overall demand and supply both within India and in the global market. The cost of inputs have increased manifold, as would be evident from the following chart :

Particulars	2007-08 (Rs)	2014-15 (Rs)	% Increase
Coal/ MT	2.91	8.96	208
Gas/ scum	5.8	13.3	129
TD Oil/Litre	26.1	60.9	133
HSD/Litre	30.8	66.8	117
Sulphur/MT	6294	17200	173
MOP/MT	4894	17000	247

Assam auction averages have increased from Rs.99.60 in 2008 to Rs.156 in 2014, an increase of 56% only. As per Tea Board study, more than 32% of the tea bushes in Assam are over 50 years old. The Assam Tea Industry has been investing in replacement of old bushes by new plants at the rate of 2% per year since the beginning of 12<sup>th</sup> Plan Period. If the industry continues to undertake replanting and rejuvenation at the present rate of 2% the problem of low yield would be redressed in the next few years. The uprooting and replanting programme, however, causes a revenue deficit due to reduction in crop as the gestation period for the new plant to start contributing to the production cycle varies between 4-7 years. Therefore, the capacity of the industry to continue with such activity is largely dependent on the generation of surplus from operations. The Tea Industry has also been investing in the modernization of its factories and focusing on improvement of quality of teas which has resulted in export of Assam teas increasing market share over the years.

During 2014, the Tea production in the Brahmaputra Valley declined by 35 m.kgs largely due to adverse growing conditions characterized by deficient/inadequately distributed rainfall, high mean temperatures and severe pest infestation. Rise in cost of production following significant decline in output has adversely impacted turnover and operating margins. Therefore, the capacity of the industry to continue to sustain increase in cost of production is constrained. Any further rise in wage levels at this juncture could threaten viability and the employment security of the large dependent population.

Challenges of sustainability, therefore, are looming large.

Kolkata

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